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FISCAL IMPACT STATEMENT

LS 6780 | **NOTE PREPARED:** Apr 15, 2009
BILL NUMBER: HB 1447 | **BILL AMENDED:** Apr 14, 2009

SUBJECT: Property taxation.

FIRST AUTHOR: Rep. Welch | **BILL STATUS:** 2nd Reading - 2nd House
FIRST SPONSOR: Sen. Hershman

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended)

Bond Issues: This bill specifies that the maximum term of bonds is to be determined based on the date the bonds are issued. It provides that the maximum term or repayment period for obligations issued after June 30, 2009, that are wholly or partially payable from lease rental payments is 20 years after the date of the first lease rental payment.

The bill provides that bonds issued for a hospital for the Marion County Health and Hospital Corporation are not subject to the 20 year maximum term.

The bill also exempts nonelected school boards from the law requiring taxing units with nonelected governing bodies to have bond issues and leases approved by the fiscal body of a county, city, or town.

Cyclical Reassessment: This bill deletes the statute requiring a general reassessment to begin in 2009. It requires the county assessor of each county to prepare and submit to the Department of Local Government Finance (DLGF) a reassessment plan for the county and specifies that the plan is subject to approval by the DLGF.

The bill provides that the reassessment plan must divide all parcels of real property in the county into different groups of parcels and that each group of parcels must contain at least 20% of the parcels within each class of real property in the county. The bill specifies that the DLGF shall determine the classes of real property to be used for this purpose and requires that the number of parcels of real property included in each group within a particular group must be approximately equal. It provides that all real property in each group of parcels shall be reassessed under the county's reassessment plan once during each cycle. This bill specifies that the reassessment of a group of parcels in a particular class of real property shall begin on July 1 of a year. It provides that the reassessment of the first group of parcels under a county's reassessment plan must begin on July 1, 2010, and must be completed on or before March 1, 2011.

Trending Catch-Up: This bill provides that if a county is more than 12 months behind in submitting certified net assessed valuations to the DLGF, the county shall have a trending factor based on property class and location developed and applied to the assessed values of properties within the county. The bill requires the DLGF to develop the trending factors and it specifies that the trending factor shall be applied to expedite the property assessment to the property tax billing cycle so that the county may achieve current and regular assessments and billing before the start of the next reassessment cycle.

Reassessment Petitions: The bill provides that a petition for reassessment of a group of parcels must be signed by not less than 100 real property owners or 5% of real property owners and must be filed with the DLGF not later than 45 days after notice of assessment is provided.

Land Values: The bill provides that the county assessor determines the values of all classes of land in the county. The bill also provides that a petition for the review of the land values determined by the county assessor may be filed with the DLGF and it requires the petition to be signed by at least the lesser of: (1) 100 property owners in the county; or (2) 5% of the property owners in the county.

Software Contracts: The bill requires the DLGF to be a party to any addendum to a contract: (1) between a county assessor and a professional appraiser; and (2) between a county and providers of assessment software.

Golf Course Assessments: This bill specifies assessment procedures for golf courses.

Taxpayer Notices: This bill provides that if an assessing official assesses or reassesses any real property, a tax statement or, if applicable, a reconciling property tax statement is notice to the taxpayer of the amount of the assessment or reassessment. For real property with new additions or improvements since the previous assessment date, the bill requires a separate notice to be provided within 90 days after the assessor completes the appraisal of a parcel or receives a report for a parcel from a professional appraiser.

The bill also eliminates a taxpayer notice of assessed value and estimated taxes that would have been required in September each year beginning in 2010.

Exemption Filing: This bill eliminates the requirement that a property tax exemption application be filed every two years for certain property owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes. The bill provides that a change in ownership of tangible property that continues to be used for an exempt purpose does not terminate an exemption but requires an owner notify the county assessor of the change in ownership.

Property Tax Deductions: This bill establishes procedures concerning property tax deductions.

Mobile Homes: This bill specifies when a mobile or manufactured home may be treated as inventory, and permits the waiver of property taxes on an abandoned mobile or manufactured home, upon petition by the title holder, when the property tax liability exceeds the resale value of the property.

Model Home Deduction: This bill extends the model home property tax assessed value deduction to 2008 assessments of model homes for property taxes first due and payable in 2009.

Referenda: This bill defines "registered voter" for purposes of the statute specifying who is eligible to sign a petition requesting a referendum for a controlled project. The bill allows the legislative body of a political subdivision to adopt a resolution withdrawing a controlled project from consideration at a referendum and specifies that if a public question on a controlled project is withdrawn, a referendum on the same controlled project or a substantially similar controlled project may not be submitted to the voters earlier than one year after the date the resolution withdrawing the referendum is adopted. The bill also requires the DLGF to post certain information regarding a proposed controlled project on the department's Internet web site.

The bill also provides that an elected or appointed public official of the political subdivision may advocate for or against a position on the petition or remonstrance or local public question for a controlled project so long as it is not done during the official's normal working hours or paid overtime or by using public funds.

Utility Assessments: The bill provides that a public utility company's tangible personal property that is locally assessed as fixed property is instead assessed as distributable property.

Sales Disclosure: This bill exempts public utility and governmental easement documents from the property sale disclosure filing requirement. It authorizes the DLGF to use money in the Assessment Training and Administration Fund for data base management expenses.

Fire Protection Territories: This bill provides that levy limits do not apply to a civil taxing unit in the first year in which the civil taxing unit becomes a participating unit in a fire protection territory. The bill specifies that in the first year in which a civil taxing unit becomes a participating unit in a fire protection territory, the civil taxing unit shall submit its proposed budget, proposed property tax levy, and proposed property tax rate for the fire protection territory to the DLGF for approval. The bill also specifies that participating units in a fire protection territory may agree to change the provider unit of the territory.

Assessment Appeals: The bill eliminates the authority of a county assessor to appeal an assessment of industrial property by the DLGF.

MRDD Levies: This bill permits a county that wants to impose a property tax levy for the first time after 2008 for a community mental health center (CMHC) or a community mental retardation and other developmental disabilities (MRDD) center to submit a first year budget for approval by the DLGF. It provides that the first year levy for the approved budget is outside the property tax levy limit.

Review of Non-Elected Board Budget: This bill provides that in the case of a taxing unit that is governed by a nonelected board and is required to submit its proposed budget and property tax levy to a municipal fiscal body for approval, the proposed budget and property tax levy must be submitted at least 30 days (rather than 14 days, under current law) before the municipal fiscal body is required to hold budget approval hearings. It also changes the date for political subdivisions to complete budgets from August 10 to September 10.

The bill also provides that the budgets, tax levies, and bond issuance of a taxing unit in Marion County that: (1) is entirely within an excluded city; and (2) has an unelected governing body; are reviewable by the fiscal body of the excluded city.

Local Budgets - County Review: The bill requires a civil taxing unit to provide the county fiscal body with its proposed budget, tax rate, and levy at least 45 days, instead of 15 days, before it fixes its rate (30 days instead of 14 days for nonelected units) and provides that a civil taxing unit's preceding year levy is used if the deadline is not met. The bill gives the county fiscal body (or oversight unit for nonelected units) 30 days to complete its review and provides that a county's preceding year levy is used if the deadline is not met.

The bill moves the deadline for local budget meetings from September 30 to November 1. It removes the expiration date for the county boards of tax adjustment (TAB) and it requires the TAB to complete its work before November 2, instead of October 1, in most counties. The bill provides that in Marion County and counties with second class cities the board must complete its work by December 1 instead of November 1. The bill also changes the deadline for a civil taxing unit to appeal its levy limit from September 20 to October 20.

Control Boards: The bill eliminates the Local Government, and the School, Property Tax Control Boards.

Marion County TIF: This bill changes the tax increment replacement amount for a tax increment financing (TIF) district in Marion County so that the personal property increment may be used regarding obligations issued before May 8, 1989.

Tax Bills: This bill eliminates the State Board of Accounts approval of the property tax statement. It removes the tax rate and percentage change in liability from the property tax statement.

The bill provides that in the case of property taxes billed under a provisional tax statement: (1) the first installment is due on the later of May 10 of the year following the year of the assessment date or 30 days after the mailing of the provisional tax statement; and (2) the second installment is due on the later of November 10 of the year following the year of the assessment date or a date determined by the county treasurer that is not later than December 31 of the year following the year of the assessment date.

It requires provisional tax statements and reconciling tax statements to be on forms prescribed by the DLGF. The bill provides that the tax liability under a provisional tax statement may be up to 100% of the tax liability that was payable in the same year as the assessment date for the property for which the provisional tax statement is issued. It also requires a provisional tax statement to include any adjustments to the tax liability as prescribed by the DLGF.

PTABOA: This bill provides that the county assessor is a nonvoting member of the property tax assessment board of appeals (PTABOA). It provides that the county commissioners make three (rather than two) appointments to the PTABOA.

Maximum Levy Adjustment: The bill legalizes the method used by the DLGF to reduce the 2009 maximum permissible ad valorem property tax levy of taxing units that paid benefits to members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, or the 1953 Police Pension Fund.

Township Fire Protection: The bill allows townships to provide fire protection or emergency services within a municipality that lies at least in part in the township and does not have a full-time paid fire department without contracts if both legislative bodies approve. (Current law requires a municipality to lie entirely within the township to permit the arrangement.)

SARS: The bill specifies that the calculation and use of school assessment ratios and adjustment factors apply only to school corporations in counties in which a supplemental county levy is imposed and it repeals a provision requiring the calculation of a state average assessment ratio.

Distribution of Delinquent Tax Payments: This bill provides that a school corporation is to receive its proportionate share of any delinquent property taxes paid that are attributable to a year in which the school corporation did not receive 100% of its general fund distribution because of unpaid taxes.

Local Option Income Tax: This bill requires a county income tax council to hold at least one public meeting in each odd-numbered year at which the council discusses whether the county option income tax (COIT) rate should be adjusted. The bill also allows COIT revenue to be used to pay certain redevelopment bonds.

In addition, the bill requires the Commission on State Tax and Financing Policy to study the allocation of local option income tax revenues to taxing units and report its findings and any recommendations to the Legislative Council before November 1, 2009.

Conservancies: This bill provides that the board of a conservancy district may, subject to any required budget review and approval, increase the conservancy district's budget by not more than 10% for contingencies. (Current law requires the budget to be increased by 10% for contingencies.)

The bill also specifies the interest rate paid on certain conservancy district assessments after June 30, 2009, that are paid in installments.

Energy Savings Projects: This bill increases the maximum amount of bonds that may be outstanding for a state educational institution's qualified energy savings projects from $10 M to $15 M.

Public Work Project Financing: The bill provides that under the statute authorizing political subdivisions to borrow from a financial institution to finance a public work project, the maximum term of the loan is ten years (rather than six years, under current law).

Solid Waste Management Districts: This bill provides that for the first year that a property tax will be imposed by a solid waste management district, the district's board must present identical resolutions to each of the county fiscal bodies within the district seeking approval for the use of the property tax revenue. It provides that a district is subject to the statute that requires an entity with a nonelected board to get county council approval of the entity's proposed property tax levies and budget when the entity's budget is growing faster than the assessed value growth quotient.

The bill also requires the district's annual budget to be approved by a majority vote of all members of the board. The bill provides that in the case where all but one of the counties participating in a joint district have withdrawn from the joint district or have been removed from the joint district, the county that did not withdraw or was not removed from the joint district must designate itself as a new county district, join one or more other counties to form a new joint district, or join an existing joint district. The bill makes other changes concerning solid waste management districts.

Wabash County Annexation: This bill adds Wabash County to the counties that may annex noncontiguous property to be used as an industrial park.

TIF: Specifies that the maximum term of bonds or leases in a TIF district is to be determined based on the date the obligation is entered into (applies to districts created and obligations entered into after June 30, 2008).

Homestead Credits: The bill provides for two semiannual installments of revenue replacing homestead credits granted to taxpayers in 2009 and 2010.

Property Tax Exemptions: This bill provides a school in Marion County additional time to file for a property tax exemption for taxes payable in 2007, 2008, and 2009, and authorizes a refund of taxes paid for 2007 and 2008.

The bill also provides a church in Marion County additional time to file for a property tax exemption for taxes imposed for the 2008 assessment date for land that it purchased in 2007 that is adjacent to the church's already exempt property.

Fire Protection District: This bill allows borrowing by a fire protection district that was initially established in 2006, has experienced significant revenue shortfalls due to cumulative mathematical errors in the calculation of its maximum permissible property tax levies in 2007 and 2008, and may experience a significant revenue shortfall in 2009 and 2010 requiring the district to seek funds in addition to the amounts certified for the district's current budget to provide fire protection to district residents.

Child Welfare Surpluses: This bill permits a county to transfer to the county's rainy day fund any money that was transferred from the county's family and children's fund and from the county's children's psychiatric residential treatment services fund to the county's levy excess fund as required in 2008.

The bill also provides that a county that had $10 M transferred to the county's levy excess fund from the county's family and children's fund and the county's children's psychiatric residential treatment services fund to the county's levy excess fund, as required by P.L.146-2008, may distribute the money transferred to the county's levy excess fund as follows: (1) $1 M must be distributed to the county's rainy day fund; (2) two-thirds of the remainder must be distributed to the civil taxing units in the county using the same allocation used for local income taxes.

Pendleton Library: This bill allows the Pendleton Library to impose annual capital project fund levies that exceed the usual limits for a specified period.

Sales Tax Exemptions: This bill provides a sales tax exemption for certain property acquired by a person that furnishes video service and uses the property to provide telecommunications services. It also provides a sales tax exemption for equipment and devices used to monitor blood glucose level.

Income Tax Deduction for Roof Vents or Fans: This bill provides an individual income tax deduction of up to $1,000 for the installation of solar powered roof vents or fans.

Research Expense Tax Credit: This bill specifies that for research expense incurred after December 31, 2009, a taxpayer may choose to have the amount of the research expense tax credit determined under the existing calculation or under an alternative calculation providing the amount of the credit is equal to 10% of the part of the taxpayer's Indiana qualified research expense for the year that exceeds 50% of the taxpayer's average Indiana qualified research expense for the preceding three years.

Voting Systems: This bill provides that a county may continue to use an optical scan ballot card voting system or an electronic voting system whose approval or certification expired on or before October 1, 2009 if the voting system meets certain requirements. It provides that the Indiana Election Commission may approve a voting system for use in Indiana if the voting system meets the Voluntary Voting System Guidelines adopted by the United States Election Assistance Commission on December 13, 2005.

Sales Tax: The bill makes changes to bring Indiana in conformance with the Streamlined Sales and Use Tax Agreement as amended through September 5, 2008. It requires the use tax to be paid at the time of registering a watercraft that is a United States Coast Guard documented vessel. It requires new retail merchants to file returns and remit sales tax electronically. It provides relief for retail merchants if there is a change in the sales and use tax rate. It makes permanent the sourcing rule for floral deliveries providing that a sale is sourced to the location of the florist where the order originated when the sale involves one florist taking an order and transferring the order to another florist for delivery to the final recipient. It also provides that the sale of Internet access service or certain ancillary service telecommunication services are sourced to the customer's place of primary use. The bill requires refiners, terminal operators, and qualified distributors to remit prepaid state gross retail taxes through the Department's online tax filing system. It requires the Department of State Revenue (DOR) to determine a new sales tax prepayment rate on gasoline every three months and eliminates the requirement to publish the prepayment rate change in the Indiana Register. The bill allows the DOR, subject to Office of Management and Budget approval, to make a new prepayment rate determination if the price of gasoline has changed by at least 25% since the most recent determination. The bill also uses 80% instead of 90% of the estimated tax liability in making the determination.

Inheritance Tax: The bill provides that an Inheritance Tax lien terminates on the earlier of: (1) the date the Inheritance Tax is paid; (2) when certain affidavits are filed specifying that no tax is due; or (3) ten years (rather than five years, under current law) after the date of the decedent's death. The bill also changes the Inheritance Tax interest accrual date.

Fuel Tax: The bill provides that September 1 is the deadline for International Fuel Tax Agreement applications to be filed in order to receive the permit by January 1. It requires the DOR to provide relief under the gasoline tax statutes where a shipment of gasoline is legitimately diverted from the represented destination state after the shipping paper has been issued by the terminal operator or where the terminal operator failed to cause proper information to be printed on the shipping paper. It repeals the requirement that a person must obtain an import verification number in certain circumstances to import special fuel into Indiana.

Corporate Tax: The bill provides that a foreign real estate investment trust that has a tax treaty with the United States or a listed property trust will not be included in the add back to adjusted gross income as a captive REIT. This bill provides a refund of gross income taxes erroneously paid for 2003 and 2004 by a town if the town also paid the utilities receipts tax for the same year.

Income Tax: The bill adds a definition of "pass through entity". It provides that income from a pass through entity shall be characterized in a manner consistent with the income's characterization for federal income tax purposes and attributed to Indiana as if the person, corporation, or pass through entity that received the income had directly engaged in the income producing activity. It also provides that an individual may claim a deduction for state income tax purposes for property taxes that: (1) were imposed on the individual's principal place of residence for the March 1, 2007, assessment date or the January 15, 2008, assessment date; (2) are due after December 31, 2008; and (3) are paid in 2009 on or before the due date for the property taxes. The bill, for purposes of the tax credit for contributions to the College Choice 529 Education Savings Plan: (1) defines "contribution" to exclude rollovers from other 529 savings plans; and (2) excludes value added to the account through earnings of bonus points. It also allows the DOR to disallow the 529 savings plan income tax credit if tax avoidance is the principal purpose of the contribution. The bill includes vehicles that operate on biodiesel or diesel fuel for purposes of the Hoosier Alternative Fuel Vehicle Manufacturer Income

Tax Credit. It provides that the ability to opt out of electronic filing when using a paid tax preparer is available only to a taxpayer who claims the additional exemption for the elderly or who has opted out of participating in federal Social Security programs because of religious beliefs. It also provides that for winnings that exceed $1,200 on gambling games at racetracks, the operator is required to withhold adjusted gross income tax from the winnings.

Local Option Income Tax: The bill amends the county adjusted gross income tax, county option income tax, and county economic development income tax statutes to provide that the Budget Agency (rather than the DOR) certifies the revenue distribution to counties.

Commercial Vehicle Excise Tax (CVET): The bill specifies that road tractors are included in the definition of "commercial vehicle" for purposes of the commercial vehicle excise tax. It provides that a taxing unit's calendar year commercial motor vehicle excise tax distribution is based on the amount of tax collected in the preceding state calendar year (rather than 105% of the prior year's base revenue). It also provides that a county's base revenue for purposes of the commercial motor vehicle excise tax is equal to its distribution percentage multiplied by the amount of tax revenue collected in the preceding state fiscal year.

Vehicle Repair Permit: The bill allows a repair and maintenance permit to be used by unregistered off-road vehicles to move from and to a quarry or mine for the purpose of repair.

Airport Operator Reporting: The bill requires an airport operator to submit reports to the Department listing aircraft stationed at the airport. It provides that if the airport operator submits an incomplete report, the airport operator is subject to a civil penalty of $100 per aircraft not properly included in the report.

Other Provisions: The bill makes other changes related to DOR administration of tax laws. The bill requires the DOR to post on the DOR's web site the name of every registered retail merchant that has not renewed its retail merchant certificate or whose certificate has been revoked. It requires all new withholding tax registrants to file returns and remit the withholding taxes electronically through the DOR's online tax filing program. The bill allows the Department to use statistical sampling in audits. It provides that if the taxpayer and the Department agree on a sampling method to be used, the sampling method is binding on both parties. It specifies that if the Department erroneously issues a refund check to a taxpayer, the Department has two years from the time of issuing the erroneous refund to issue a proposed assessment. The bill requires (rather than allows) a taxpayer to round to the nearest dollar amount on income tax returns. The bill provides that partnerships and trusts are subject to the 20% penalty for failure to withhold and remit taxes required to be withheld for nonresident partners or nonresident beneficiaries. It provides that if a person has had more than one payment to the Department returned for insufficient funds, the Department may require that all future payments for all listed taxes be remitted with guaranteed funds. The bill allows the Department to require a taxpayer that is on a payment plan for sales or withholding tax liabilities to make the payment using an automatic withdrawal from the person's bank account. The bill adds the utility receipts tax to the taxes for which a six-, versus a three-, year limit on assessment applies if gross receipts are understated by at least 25%. The bill exempts beer brand and packaged type from the Department's confidentiality law.

Fire Department Fees: This bill provides that any administrative fees charged by a fire department's agent must be paid only from fees that are collected and allowed by Indiana law and the Fire Marshal's schedule of fees. The bill specifies that an agent who processes fees on behalf of a fire department shall send all bills, notices, and other related materials to both the fire department and the person being billed for services.

Parental Reimbursement: This bill provides that certain parental reimbursement obligation shall be paid directly to the Department of Child Services (DCS) and not to the local court clerk so long as the child in need of services case, juvenile delinquency case, or status offense case is open. It also specifies certain requirements for contracts between DCS regarding collection of parental reimbursement amounts.

Fairland: The bill provides that the population of the town of Fairland for purposes of certain Indiana laws is 325.

Hoosier Business Investment Tax Credit: This bill extends the Hoosier Business Investment Tax Credit through 2015.

Technology Exemption: This bill provides that before January 1, 2013, a designating body may adopt a resolution providing the exemption to an eligible business for enterprise information technology equipment. It requires that the designating body and the eligible business enter into an agreement concerning the property tax exemption, which must specify the duration of the property tax exemption and may specify that a transferee is entitled to the exemption on the same terms as the transferor. The bill specifies that the exemption continues for the period specified in the agreement, notwithstanding the January 1, 2013, deadline to adopt a resolution granting an exemption.

Effective Date: Upon Passage; January 1, 2008 (Retroactive); March 1, 2008 (Retroactive); July 1, 2008 (Retroactive); December 30, 2008 (Retroactive); January 1, 2009 (Retroactive); March 1, 2009 (Retroactive); April 1, 2009 (Retroactive); July 1, 2009; January 1, 2010 ; July 1, 2010.

Explanation of State Expenditures: (Revised) *Trending Catch-Up:* This bill provides that if a township or county assessor fails to perform an action required in the trending rule, then the DLGF would develop the trending factors to apply to affected assessments.

Software Contracts: Under current law, the DLGF must be a party to any contract between a county assessor and a professional appraiser or providers of assessment software. This provision clarifies that this requirement also applies to contract addendums. This allows the DLGF to play a role in the enforcement of these contracts.

Sales Disclosure: Under current law, the DLGF receives $5 from the filing of each sales disclosure form. In FY 2008, the DLGF received $864,950 which was deposited into the state Assessment Training and Administration Fund. Money in the fund may be used:

(1) by the DLGF to pay the expenses for development and administration of training programs for assessment officials and DLGF employees; and

(2) by the Indiana Board of Tax Review (IBTR) to conduct appeal activities or pay for appeal services.

Under the bill, the DLGF could use the proceeds for database management expenses in addition to the current uses.

Control Boards: This proposal eliminates both the School Property Tax Control Board and the Local Government Property Tax Control Board. The School Control Board is comprised of five voting members plus two ex officio, nonvoting members. The Local Control Board is comprised of seven voting members plus two ex officio, nonvoting members. The school control board scheduled 12 meetings in 2008 while the local control board scheduled 13 meetings. All members of the control boards receive mileage reimbursement and members who are not state employees receive a salary per diem. These expenses, which are paid from the state General Fund, would be eliminated under this bill.

Petitions regarding budgets for new taxing units, excessive levy appeals, debt issues, and any other items that currently come before the control boards would be made directly to the DLGF.

Tax Bills: The form of the property tax billing statement is currently prescribed by the DLGF but must also be approved by the State Board of Accounts. This bill would eliminate the requirement for Board of Accounts approval, allowing the Board to direct those resources elsewhere.

The bill also changes the required content of the tax billing statement. Among other things, the statement, called a TS-1, must currently list each taxing unit's tax rate and the liability owed to each unit for the prior and current year. The TS-1 also shows the year-to-year tax bill change in dollars for each taxing unit, and the percentage of the total change in the tax bill that is attributed to each taxing unit. This bill would remove the requirement to report the unit tax rates and the percentage of the total change. The list of prior and current tax liabilities to each taxing unit would remain intact. The DLGF would have to redesign the TS-1 form to remove the rates and percentage.

SARS: Under current law, the DLGF must compute a school assessment ratio study (SARS) each year in which a general reassessment occurs and in other years if the DLGF determines that there are sufficient assessment changes to warrant one. The study must include a new assessment ratio for each school corporation and a new state average assessment ratio. The ratio is an assessment of whether, and to what extent, real property within a school district has been assessed according to the assessment laws and rules.

Under this bill, the SARS would be required only for school corporations in counties that impose a supplemental county levy for schools. These school corporations are in Lake and Dearborn counties. The state average ratio would no longer be required.

The SARS ratios had been used in determining property tax levies for school corporation general funds and are referenced in the statute concerning the county supplemental distributions. Since the school general fund levy has been eliminated, there is no need to compute these ratios in most counties. This provision would allow the DLGF to redirect resources that would have been used to complete a new SARS.

Homestead Credits: Under HEA 1001-2008, the state will pay homestead credits in the amount of $140 M in CY 2009 and $80 M in CY 2010. The state is required to make distributions to counties within two weeks from the date that a county sends a tax bill that includes the credit. Most counties send a two-part bill in one mailing that includes coupons for both installments of the property tax bill. The state must pay the entire calendar year's distribution to the county within two weeks of that mailing.

This bill would require the state to make the payments in two installments, each not later than the due date for each property tax installment. For counties with on-time billings, this provision would spread the calendar year payments over two fiscal years. For counties with late billings but with two installments, this provision would allow the state to hold one-half of the annual payment until the due date of the second installment. The state would earn additional interest on those funds.

Referenda: The bill would require the DLGF to post the following information regarding a proposed controlled project on the DLGF's web site:

1) The cost per square foot,
2) The effect on the tax rate.
3) The maximum term of the bonds or lease.
4) The maximum principal amount.

5) The estimated interest rate.
6) The purpose of the bonds or lease.
7) For schools, the current and proposed square footage per student, enrollment patterns, and the age and condition of the current facilities.

There should be no fiscal impact to the DLGF for posting this information.

Local Option Income Tax: Under this provision, the Commission on State Tax and Financing Policy would be required to study local option income tax revenues allocations report its findings before November 1, 2009.

Energy Savings Projects: The bill raises the maximum amount of bonds outstanding for qualified energy savings contracts entered into by state educational institutions from $10 M to $15 M. Qualified energy savings contracts must guarantee in writing that the savings achieved will at least equal the annual debt service requirements on the bonds.

Solid Waste Management Districts: IDEM would have to review the district plans of those counties that become a single county solid waste management district either by default or because they choose to because the joint district they belonged to has dissolved. IDEM may have to expend additional resources to meet this requirement.

(Revised) *Electronic Filing Provisions:* The bill imposes electronic filing requirements on: (1) persons registering as retail merchants; (2) entities registering to withhold Individual Adjusted Gross Income (AGI) Tax; and (3) refiners, terminal operators, and distributors remitting prepaid Sales Tax on gasoline. This requirement is effective after December 31, 2009. The bill requires these persons or entities to report and remit Sales and Use Tax or file the withholding tax report and remit withholding taxes electronically through INtax - the DOR's online tax filing program. The bill does not apply to retail merchants registered before January 1, 2010, but adding an additional place of business after December 31, 2009. The electronic filing requirements for retail merchants and entities withholding AGI Tax are expected to result in future administrative savings to the DOR. These savings are indeterminable.

(Revised) *Tax Preparer Electronic Filing Exemptions:* Current law requires a professional tax preparer who files more than 100 returns in a calendar year to file these returns in electronic format unless the taxpayer provides a written request that the return not be filed electronically. The bill provides for another exemption from the electronic filing requirement. Under the bill, a professional preparer would not have to file electronically if a taxpayer or the taxpayer's spouse: (1) is 65 years old or older; or (2) has elected for religious reasons not to participate in the Social Security Program. This exemption could potentially result in an indeterminable increase in administrative cost to the DOR in processing tax returns.

(Revised) *Gross Income Tax Refund:* The bill allows a town to qualify for a refund of Gross Income Tax that it erroneously paid in 2003 at the same time that it paid the Utility Receipts Tax. The amount to be refunded under the bill is unknown. In addition, it is unknown whether there is more than one town that would qualify for a refund under the bill.

(Revised) *Other Provisions:*

(1) Other provisions of the bill expected to result in minimal <u>reductions</u> in administrative cost are as follows:

- Requiring instead of permitting rounding to the nearest dollar of amounts on an income tax return.

- Requiring persons on a payment plan with the DOR to make periodic payments via electronic funds transfer.
- Requiring payments to the DOR with guaranteed funds when payment by a person cannot be collected and the person is assessed a 100% bad check penalty.

(2) Other provisions of the bill expected to result in minimal <u>increases</u> in administrative costs are as follows:

- Requiring DOR to compile and publish on it's Internet website a list of retail merchants whose certificates have not been renewed or whose registration with the DOR has been revoked.
- Revisions of tax forms, instructions, and computer programs to reflect the temporary change to the homeowner's income tax deduction for property taxes.

<u>**Explanation of State Revenues:**</u> *Sales Disclosure:* Under the bill, public utility and governmental easement transfers would be added to the list of property transfers that do not have to be reported on a sales disclosure form. Revenue from sales disclosure filings would be reduced by the amount currently received from this type of transfer. The number of these transfers is not currently available.

(Revised) *Sales Tax Exemptions:* This bill provides two sales tax exemptions:
- a sales tax exemption for certain property acquired by a person that furnishes video services and uses the property to provide telecommunications service; and
- a sales tax exemption for equipment and devices used to monitor blood glucose level.

The estimated impact of these provisions is indeterminable but could be significant.

<u>Background Information</u> -The Center for Disease Control and Prevention reports that as of 2007, there were 389,000 individuals in Indiana diagnosed with diabetes.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Income Tax Deduction for Roof Vents or Fans: This bill provides an Adjusted Gross Income (AGI) tax deduction to individual taxpayers for the purchase and installation of solar-powered roof vents or fans beginning in tax year 2009. The tax deduction will decrease revenue to the General Fund by an indeterminable amount beginning in FY 2010 and is equal to the lesser of one-half of the amount paid for labor and materials for the installation of a solar powered roof vent or fan or $1,000.

If 5,000 individuals claim deductions, then revenue could potentially decrease by $127,500 to $170,000. If 10,000 individuals claim deductions, then revenue could potentially decrease by $255,000 to $340,000.

<u>Background Information</u> - *Income Tax Deduction for Solar-Powered Roof Vents or Fans*: The costs of solar-powered roof vents or fans vary by size and can range, on average, from $495 to $695. An average-sized home would require two fans. If the fans are installed by a third party, average costs from the purchase and installation of solar-powered roof vents or fans would be approximately $1,500. Revenue loss due to the tax deduction could be less to the extent that purchasing and installation costs are less than the average. Revenue from the AGI tax on individuals is deposited in the state General Fund.

Research Expense Tax Credit: This bill provides that a taxpayer may elect an alternative method to calculate the Research Expense Tax Credit for Indiana qualified research expenses incurred after December 31, 2009.

The alternative calculation of the credit is equal to 10% of the difference between: (1) the taxpayer's current year Indiana qualified research expenses; and (2) 50% of the taxpayer's average Indiana qualified research expenses for the three preceding taxable years. If the taxpayer did not have Indiana qualified research expenses in any one of the three preceding taxable years, then the amount of the credit is equal to 5% of the taxpayer's Indiana qualified research expenses for the taxable year. The alternative calculation method is similar to an alternative calculation method allowed for the federal income tax credit for increasing research activities.

<u>Background Information</u> - *Research Expense Tax Credit*: P.L. 242-2002 (ss) increased this credit from 5% to 10% of qualified expenses for tax years beginning January 1, 2003, and eliminated the apportionment factor used to calculate the credit. P.L. 81-2004 made this tax credit permanent. P.L. 193-2005 increased the credit to 15% on the first $1 M of investment (leaving the credit at 10% for investment exceeding $1 M) for tax years beginning January 1, 2008, and reduced from 15 to 10 the number of years for which a taxpayer may carry over a research expense credit.

Additionally, P.L. 197-2005 provided the same alternative calculation of the Research Expense Tax Credit that is proposed in this bill for a taxpayer that: (1) is primarily engaged in the production of civil and military jet propulsion systems; (2) is certified by the Indiana Economic Development Corporation (IEDC) as an aerospace advanced manufacturer; (3) is a U.S. Department of Defense contractor; and (4) maintains one or more manufacturing facilities in Indiana employing at least 3,000 full-time employees in positions that pay on average more than 400% of the hourly state minimum wage. The IEDC is to authorize a taxpayer meeting these requirements to use the alternative calculation method for a taxable year and all subsequent taxable years. The alternative calculation was effective for tax years beginning after December 31, 2005.

It is not known how many taxpayers would select the alternative calculation method, but according to the IEDC, no taxpayers have been authorized by the IEDC to use the alternative calculation method for qualified aerospace manufacturers under the Research Expense Tax Credit.

The Research Expense Credit is available for individuals, corporations, limited liability companies, limited liability partnerships, trusts, or partnerships who have increased research activities conducted in Indiana. The credit is calculated based on the increased expenses a taxpayer incurred over their base-year expenditures. The base-year expenditures are measured for taxable years beginning after December 31, 1989, and are equal to the federal base amount as defined in the Internal Revenue Code (2001). A taxpayer is not entitled to a carryback or refund, but may carry forward the tax credit for 10 years. The base-year expenses may not be less than 50% of the current tax year's qualified research expenses.

Hoosier Business Investment Tax Credit: The bill changes the sunset date for the Hoosier Business Investment (HBI) Tax Credit to December 31, 2015. Under current statute, the HBI Tax Credit expires on December 31, 2011. This would allow the IEDC to award new tax credits for qualified investment occurring in 2012 until 2016. The potential amount of new credits that might be certified by the IEDC beginning in 2012 is indeterminable.

<u>Background Information</u> - Under current statute, the IEDC Board is authorized to award the nonrefundable HBI Tax Credit for expenditures on qualified investment determined to foster job creation and higher wages in Indiana. The maximum credit that the IEDC may award is 10% of the qualified investment. A taxpayer may claim the credit against the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, or Financial Institutions Tax liability. (Note: The maximum allowable credit was 30% of qualified investment if approved before May 15, 2005. However, these credits may be claimed only against the growth in the taxpayer's tax

liability over a specified base year tax liability.) The IEDC is currently authorized to award the HBI Tax Credit for qualified investment made before January 1, 2012. (Note: The expiration date was extended from December 31, 2007, to December 31, 2011, under P. L. 137-2006.) The credit is nonrefundable and may not be carried back. Unused tax credits may be carried over for up to nine years after the year in which the investment is made, unless a shorter carryover period is stipulated by the IEDC Board. For FY 2008, there were 18 companies eligible to claim about $2.7 M in HBI credits.

Revenue from the AGI Tax on individuals and corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund.

(Revised) *Streamlined Sales Tax:* The bill changes the definition of "gross retail income" for purposes of the Sales Tax and makes three other changes for purposes of conformity with the Streamlined Sales Tax agreement. The bill sources Internet access and telecommunications ancillary services to the customer's place of primary use, and sources floral wire delivery orders to that florist who takes the original order. The bill also requires at least 30 days between enactment and effective date of a Sales Tax rate change for retail merchants to be liable for failure to collect tax at the new rate. These changes are not expected to result in a fiscal impact.

(Revised) *Prepayment of Sales Tax on Gasoline*: The bill will not impact the total amount of Sales Tax generated by the sale of gasoline. It could however result in a slight shift of Sales Tax revenue to future months. By statute, retailers are required to prepay the Sales Tax on gasoline. The bill provides that the prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 80%.Under current statute, the prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 90%.

(Revised) *Income Tax Deduction for Property Taxes*: The bill increases for certain taxpayers the maximum allowable homeowner's income tax deduction for property taxes paid in tax year 2009 only. The increase in the maximum allowable deduction would apply only to homeowners who make on-time payment of any or all of their 2007 Pay 2008 property taxes in 2009. This provision will not result in additional revenue loss to the state, but will shift revenue loss that would otherwise occur in FY 2009 (attributable to tax year 2008 AGI tax payments) to FY 2010 (attributable to tax year 2009 AGI tax payments). The precise revenue loss that could potentially be shifted from FY 2009 to FY 2010 is indeterminable and depends on the number of homeowners receiving late property tax bills and the magnitude of these late billings.

(Revised) *Captive REIT Addback*: The bill specifically excludes a listed property trust or other foreign real estate investment trust (REIT) from the definition of a captive REIT under the addback provision of the Corporate AGI Tax relating to dividend payments from a captive REIT to a parent company. These trusts are currently interpreted to be excluded from the add back, so the amendment will have no fiscal impact. Under the bill, the exclusion applies to these trusts if they are organized in a country that has a tax treaty with the U.S. Treasury Department governing the tax treatment of such trusts.

A REIT is a corporation, trust, or association that acts as an investment agent specializing in real estate and real estate mortgages. Under the Internal Revenue Code a REIT, unlike an ordinary corporation, is entitled to claim a deduction for dividends paid to shareholders against their ordinary income and net capital gains. A REIT must meet certain requirements as to ownership and organization, source of income, investment of assets, and distribution of income to shareholders.

(Revised) *Treatment of Intermediary Pass Through Income:* The bill clarifies the treatment of income paid from an Indiana pass through entity to a pass through entity domiciled in another state. Based on the Tax Court's decision in *Riverboat Development, Inc. v. Indiana Department of State Revenue* (Cause No. 49T10-0506-TA-52), February 22, 2008, income received by a non-Indiana pass through entity from its interest in an Indiana pass through entity is, under current statute, not taxable income for purposes of the Individual Adjusted Gross Income (AGI) Tax. As a result, the non-Indiana pass through entity is not required to withhold AGI Tax on distributions to its shareholders. Under the bill, the income received by the intermediary pass through entity would be treated as business income from sources in Indiana, and the pass through entity would be required to withhold AGI Tax on distributions it makes to its shareholders. The tax court case voided a $2.3 M assessment the DOR made against Riverboat Development, Inc. However, the assessment had never been paid. This provision could potentially result in a significant future increase in withholdings and AGI Tax revenue from taxpayers conducting these activities.

(Revised) *529 Contribution Credit:* The bill imposes two additional limits on claiming the tax credit for contributions to College Choice 529 Education Savings Plan accounts, and specifically provides the DOR with additional tax enforcement power relating to account contributions. The two additional contribution limits established by the bill are described below in (1) and (2).

(1) The bill specifies that contributions resulting from bonus points or other forms of consideration earned by the account owner (i.e., a bonus points program for credit card purchases) do not qualify for the tax credit. The extent to which this limit would lower the revenue loss or mitigate future revenue loss from the tax credit is unknown.

(2) The bill specifies that money transferred (under a rollover) from another 529 qualified tuition program to the account do not qualify for the tax credit. This limit may mitigate some future revenue loss, but it is assumed that most of the rollover activity resulting in tax credits has probably already been completed.

The additional enforcement power under the bill, permits the DOR to disallow the tax credit unless a taxpayer establishes by a preponderance of the evidence that the contributions to the taxpayer's 529 Plan account did not have tax avoidance as a principal purpose. To the extent that taxpayers are using 529 Plan accounts to avoid payment of Individual AGI Tax, this provision could potentially result in reducing revenue loss from the tax credit. However, the precise impact is indeterminable and would depend on enforcement by the DOR.

(Revised) *Withholding on Slot Machine Winnings:* The bill includes the slot machine facilities at the horse racetracks under current statute requiring riverboat casinos to withhold and remit income tax on gambling winnings of: (1) $1,200 or more from a slot machine play or (2) $1,500 or more from a keno game. It is estimated that the current withholding requirement applicable to the riverboat casinos results in an additional $21.8 M in AGI Tax revenue from out-of-state gamblers who otherwise would not pay the tax on winnings. This provision could potentially generate additional withholdings to the extent that out-of-state gamblers are patronizing the slot machine facilities. However, these facilities may have a much smaller out-of-state market than the riverboat casinos. The additional revenue yield is indeterminable at this time.

(Revised) *Alternative Fuel Vehicle Manufacturer Tax Credit:* The bill extends qualification for the tax credit to a manufacturer of a vehicle that operates on biodiesel or diesel fuel.

Current statute provides for a non-refundable tax credit against the Individual or Corporate AGI Tax, Financial Institutions Tax, or Insurance Premiums Tax liability of taxpayers who make qualified investment in infrastructure, facilities, machinery, and equipment in Indiana to manufacture or assemble alternative fuel vehicles. An "alternative fuel vehicle" is a vehicle designed to operate on at least one of the following fuels: methanol, denatured ethanol, and other alcohols; mixtures containing 85% methanol, denatured ethanol, and other alcohols with gasoline or other fuel; natural gas; liquefied petroleum gas; hydrogen; coal-derived liquid fuels; non-alcohol fuels derived from biological material; P-Series fuels; or electricity. The tax credit must be determined by the Indiana Economic Development Corporation (IEDC), with a maximum allowable tax credit of 15% of the qualified investment. Current statute allows the IEDC to award the tax credit for investment made between 2007 and 2012. The excess credit amounts may be carried for up to nine years.

(Revised) *Inheritance Tax:* The bill makes the following changes relating to the Inheritance Tax. Both changes are expected to result in minimal revenue increases.

(1) The bill changes the time frame for the termination of the Inheritance Tax lien on property transferred by a decedent. The lien terminates by current statute either the earlier of when the tax is paid or 5 years after the decedent's date of death. The bill extends this time frame to 10 years after the decedent's date of death.

(2) The bill changes the deadline for refunding tax erroneously or illegally collected before interest accrues at 6% per annum. Currently, the refund must be provided within 90 days after the refund claim is filed with the DOR. The bill would change the deadline to 90 days after the later of the filing of the refund claim or receipt of the tax return by the DOR. Reportedly, the DOR tends not to even receive the tax returns from the counties within 90 days of the refund filing.

(Revised) *Erroneous Refunds:* The bill allows the DOR to issue an assessment to recover refunds that are erroneously provided. The bill provides that an assessment must be issued: (1) within two years after making the refund; or within five years after making the refund if the refund was induced by fraud or misrepresentation. This provision could potentially lead to an indeterminable savings due to recovery of erroneous refunds.

Explanation of Local Expenditures: *Bond Issues:* Under current law, most obligations issued after June 30, 2008 must be repaid within 20 years. The bill clarifies that the 20 year limit begins after the obligation is issued. Under the bill, bonds issued for a hospital for the Marion County Health and Hospital Corporation would not be not subject to the 20 year maximum term.

For obligations issued after June 30, 2009 that are payable through a lease rental, the bill would require repayment within 20 years after the first lease payment is made. Lease payments do not begin until the taxing unit takes possession of the project which is typically one or two years after the project is started and the obligation is actually issued.

Cyclical Reassessment: Under a cyclical reassessment schedule, expenditures for reassessment in a county would be spread from a two-year period to a period of up to five years.

Trending Catch-Up: This provision would likely allow those counties that currently struggle to complete annual adjustments to catch up and complete their assessment work on time. Timely assessments would encourage on-time property tax billings and could reduce the need for short-term borrowing.

Land Values: Currently, the township assessor, or county assessor if there is no township assessor, must set the initial land values and then submit them to the county PTABOA for review. Under the bill, the county assessor would determine all land values. The PTABOA would no longer have a review function, eliminating the cost of the public hearings that they currently must hold.

The bill would, however, allow a group of taxpayers to petition the DLGF for a review of the county assessor's land values. The petition could be filed up to 45 days after the values are determined and must be signed by the lesser of (1) 100 real property owners or (2) 5% of the real property owners in the county. The DLGF would be required to review the land values upon petition.

Taxpayer Notices - Assessment: Under current law, local assessing officials must send an assessment notice to real property owners each time property is assessed or reassessed. Statewide, the cost to prepare and mail approximately 3.5 M property assessment notices is estimated at $1.8 M to $2.1 M, assuming a $0.50 - $0.60 per piece cost. This bill would eliminate the separate assessment notice and instead rely on the property tax bill to serve as the assessment notice. Counties would save the cost of providing the separate assessment notices under this bill. The separate assessment notice would, however, still be required any time real property with new additions or improvements is assessed.

Taxpayer Notices - Estimated Tax: Under current law, beginning in 2010, the county auditor must mail to each taxpayer a statement containing certain information pertaining to property taxes for the following year including: the taxpayer's AV, deductions, and credits; the estimated taxes that will be due from the taxpayer for each taxing unit; the corresponding tax liabilities for the current year; information on public hearings on the levies, tax rates, and budgets; and the opportunity to appeal the taxpayer's assessment. About 3.5 M taxpayer notices must be prepared and mailed. The cost is estimated at $1.8 M to $2.1 M based on a $0.50 - $0.60 per item cost. Counties will also incur initial software costs to create the notices.

Under this proposal, counties would not have to provide these notices and would not have to pay the expenses of development, preparation, and delivery.

Exemption Filing: Under current law, nonprofit corporations must refile their property tax exemptions every two years. A property tax exemption does not need to be refiled if:

1) The property is used for religious purposes or if it is owned by a religious organization and used for educational purposes; and
2) The exemption was properly filed at least once.

In addition to property owned by religious organizations, this bill would eliminate the refiling requirements for property owned, occupied, and used for educational, literary, scientific, and charitable purposes. Also under this bill, exemptions would not be terminated after a change in ownership if the property continues to qualify for an exemption. There are approximately 24,000 non-religious exemptions currently on file with county auditors. The elimination of periodic filing would reduce the administrative burden on each county auditor's office in the state. It would also eliminate situations where organizations temporarily lose their exemption because they fail to make a timely filing.

Referenda: This bill defines "registered voter" for purposes of the statute specifying who is eligible to sign a petition requesting a referendum for a controlled project. Under this bill, "registered voter" would be defined as an individual who is registered to vote in the political subdivision on the date the county voter registration board makes the determination regarding whether persons who signed the petition are registered voters.

Under the bill, a taxing unit would be permitted to withdraw a project from the referendum process. If a project is withdrawn, it or a substantially similar project could not be resubmitted for one year.

Utility Assessments: Under current law, utility-owned personal property that is not a part of production, transmission, or distribution systems comprises about 0.2% of total utility personal property AV. For reporting purposes, the value is subtracted from total utility value on the state utility assessment form (UD-45) and then reported to the local assessor (Form-1.) Under this provision, the property would not be reported separately on Form-1. Instead the property AV would be the reported on the UD-45 and distributed by taxing district along with the rest of the utility distributable property. This could cause a very slight change in share of the total utility AV that is attributed to each taxing district, although the total for each utility would remain unchanged.

Assessment Appeals: Under current law, the DLGF is responsible for assessing industrial facilities (real property only) with an estimated true tax value of at least $25 M in Lake County. A taxpayer or the county assessor may appeal the assessment to the IBTR. Under this bill, a taxpayer still has the option of appealing the assessment. The county assessor, however, may not spend public money to appeal the assessment unless the county fiscal body adopts a resolution approving the proposed expenditure, and also appropriates the total amount of the proposed expenditure. The fiscal impact of this bill would depend on whether the county fiscal body would appropriate funds for the appeals.

Tax Bills: The proposed changes to the TS-1 would require software changes to rearrange the remaining reportable items in the manner required by the DLGF. There would be some additional county costs associated with this change. The amount is not currently known.

PTABOA: Under current law, the county PTABOA has 5 voting members. Two members are appointed by the county fiscal body and two are appointed by the county commissioners. The county assessor is the fifth member.

Under this bill, the county assessor would be a nonvoting member of the board. The county commissioners would appoint one additional member to the board. The board would then be comprised of five voting and one nonvoting member. PTABOA members receive a per diem salary set by the county council. The addition of one member could increase county costs for PTABOA salaries by 20%.

Local Option Income Tax: Under this provision, a county income tax council would have to hold at least one public meeting in each odd-numbered year to discuss whether the County Option Income Tax (COIT) rate should be adjusted. Currently, there is no requirement to meet.

Public Work Project Financing: Currently, a civil taxing unit or school corporation may borrow money from a financial institution for a term of up to six years to fund a public work project that costs no more than $2M. This bill would allow the term to be as long as ten years. If a loan is taken for more than six years, overall interest payments would increase, but each annual payment would be reduced.

Solid Waste Management Districts: Solid waste management districts must hold public hearings to discuss the introduction of a property tax levy. Districts also have to hold public hearings whenever the membership of the district changes and a new or amended solid waste management plan has to be submitted to IDEM. In the event that a district is dissolved and the county becomes a new county district either by default or choice, the district also has to hold a public hearing before adopting a new budget. The district may incur additional expenses in preparing for and in conducting these public hearings if they are in addition to regular scheduled meetings.

In the second and subsequent years that a solid waste management district plans to levy a property tax, the county fiscal body has to review or approve the district's budget and property tax levy as applicable. Similarly, each fiscal body within a district has to approve the use of property taxes whenever the membership of the district changes and the new county district, new joint district or existing joint district plans to levy a property tax in the following year (see Explanation of Local Revenues). The county fiscal bodies may have to expend additional resources in meeting this requirement.

Wabash County Annexation: Municipal legislative bodies in Wabash County would be allowed to annex noncontiguous territory where the entire area is not more than two miles from municipality boundaries. The annexed territory would have to be used for an industrial park containing one or more businesses. The territory must be owned by either the municipality or by an annexation-consenting property owner. If the annexed area(s) do not have an established industrial park within five years after the annexation, the territory would revert to its previous jurisdiction, if existing, or the defunct jurisdiction's successor.

Generally, when an annexation is approved, services are extended to the annexed area. The annexing municipality would increase expenditures to provide those services, which may include police, fire, trash pick-up, and sewer/water services.

Child Welfare Surpluses: Under HEA 1001-2008, surplus balances in a county's family and children's fund and children's psychiatric residential treatment services fund must be deposited into the county levy excess fund. Money in the levy excess fund may only be used to pay property tax refunds and to reduce the following year's levy. DCS has estimated surpluses in one or both funds in 86 counties totaling $103.3 M which will be used to reduce 2010 county general fund levies

Rather than reducing levies in 2010, this bill would allow any county to transfer the surplus into the county's rainy day fund.

The bill would also permit St. Joseph County to transfer $1 M into the county rainy day fund and distribute two-thirds of the remainder to the civil taxing units (not schools) in the county. The estimated surplus in St. Joseph County is $13.3 M. Under the bill, the county could elect to distribute $8.2 M to the civil taxing units, leaving about $4.1 M to reduce the 2010 county levy.

Explanation of Local Revenues: *Effect on Circuit Breakers:* Any provision that affects local property tax levies, assessments, deductions, or credits may have an effect on the local cost of circuit breaker credits. If, on the whole, the changes result in higher net tax amounts, then the cost of the circuit breaker credits will rise. If net tax is reduced, then the cost of the circuit breaker credits will also fall.

Bond Issues: Under current law, a civil taxing unit or school corporation with a non-elected governing body may not issue debt payable from property tax without the approval of the county fiscal body or municipal fiscal body. Beginning in 2009 under this bill, non-elected school board debt issues would not be subject to this review. Library debt would be reviewed by the county fiscal body.

Cyclical Reassessment: Under current law, real property is fully reassessed every five years. The next general reassessment takes effect with taxes payable in 2012. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect.

Under this bill, counties would submit a reassessment plan to the DLGF by December 31, 2009. The plan must divide the parcels in the county into five groups that contain approximately 20% of the parcels in each property class. Beginning with March 1, 2011, each county would reassess one group each year rather than conduct a general reassessment once every five years. However, a county could submit a plan to reassess more than 20% (up to 100%) of the parcels in any one year. Parcels that are not reassessed in a year would still be subject to annual adjustments.

Assuming that all property is currently assessed in accordance with the assessment and trending rules, general reassessments under current law should result in only modest one-year changes to most assessments. The general reassessment also picks up physical changes in property not previously noted. The change to cyclical reassessments would have the same overall effect. Since annual adjustments would continue for non-reassessed property, there should be no discernable change in overall assessment levels.

Golf Course Assessments: Under this provision, golf courses would be assessed under the income capitalization approach. The bill requires local assessors to gather the necessary data from the golf course owner to compute assessments for the March 1, 2009, 2010, and 2011, assessment dates. The DLGF would be required to provide income capitalization tables for golf courses for assessments after 2011.

While income capitalization may currently be considered in determining golf course assessments, it is not in use in many areas. The assessments determined under this method are more than likely lower than the current assessments. The required use of income capitalization would result in a reduction of assessed value for most golf courses. This would shift a part of the property tax burden from golf courses to all other taxpayers through a higher tax rate. The resulting higher tax rate could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered.

Property Tax Deductions: Before the passage of HEA 1001-2008, new homeowners filed an application for the state homestead credit and the standard deduction was automatically granted to all homeowners who received the credit. Since the homestead credit was eliminated by HEA 1001-2008, new homeowners must now apply directly for the standard deduction. The changes in this bill reconcile multiple versions of the deduction statutes and complete the transformation so that the eligibility and filing requirements for the standard deduction mirror those of the former homestead credit. Under ths bill, homeowners may apply for the standard deduction on a sales disclosure form and may apply at any time during the assessment year or before January 10^{th} of the following year to be effective for taxes payable in the year following the assessment year. As clarifications, most of these provisions have no fiscal impact. However, the additional time in January during which a homeowner may file for the standard deduction could result in a very small number of additional deductions.

Mobile Homes - Inventory: Under this provision, a mobile home would be treated as inventory if the home is (1) assessed as personal property, (2) located in a mobile home community, and (3) has never been unoccupied. Under current law, inventory is exempt from property taxation so this provision would provide an exemption for these homes.

Mobile Homes - Waiver: Under this bill, the title holder of an abandoned mobile home may petition the county assessor for a waiver of property taxes if (1) the mobile home is not suitable as a residence, (2) the mobile home has little or no value as a residence, (3) the tax liability exceeds the resale value, and (4) the mobile home has been abandoned in a mobile home community. If the assessor grants the waiver, the title holder must dismantle or destroy the home.

Assessments on personal property mobile homes are not considered part of the certified value that is used to compute tax rates. This has to do with the fact that the assessment date for these homes is January 15th with taxes paid in May and November of the same year. Tax rates must be certified by February 15th, leaving little or no time to make the assessments and include them in the AV base.

The property tax revenue generated by mobile homes may be used to offset shortages in levy collections. While the tax rate would not be directly affected by an assessment reduction for mobile homes, the revenue received by the local units would be reduced. One exception to this explanation is the case where a unit collects more than 100% of its tax levy. In this case, the overage is used to reduce the following year's levy and tax rate through the unit's levy excess fund. So, it is possible, indirectly, for a reduction in mobile home-generated tax collections in one year to affect the following year's tax rate. There are approximately 90,000 to 100,000 mobile homes in the state.

Model Home Deduction: Under current law, new homes that are complete but unoccupied on the assessment date are assessed as any other home. The assessments for homes that are partially complete on the assessment date are prorated. The owner of a model that is first assessed in 2009 or later home may receive a 50% AV deduction for up to three years. Each owner is limited to three model home deductions, statewide. The deduction will first be available for taxes payable in 2010.

Under this bill, the model home deduction would apply to models first assessed in 2008 for taxes payable in 2009. The removal of existing AV from the tax base would result in an increased tax rate. The higher tax rate would shift part of the property tax burden from the model homes first assessed in 2008 to all other property, and it would also result in an increase in circuit breaker credits in areas where the circuit breaker has been triggered.

If a model home owner has paid the tax bill in 2009, then the owner would be entitled to a refund of the tax associated with the deduction. Property tax refunds reduce current tax collections for local civil taxing units and school corporations.

Fire Protection Territories: Under current law, the legislative bodies of at least 2 contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Prior to the passage of HEA 1001-2008, a participating unit's maximum levy could be increased in those first 3 years in order to generate the unit's share of the amount necessary to fund the FPT. Under HEA 1001-2008, the levy for a FPT cannot increase by more than the income-based assessed value growth quotient (AVGQ), about 4% per year.

Under this bill, new participating units would submit their first-year proposed budget, levy, and tax rate for the FPT to the DLGF. The initial levy set by the DLGF would be the basis for future levy growth under the AVGQ limits, except that the DLGF could reduce the base by all or a part of the initial levy that was used to establish an operating balance. Compared to the levy limits under current law, this provision could increase the property tax levy for future FPTs. A levy increase could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered.

Fire Protection Territories - Revenue Distribution: Proceeds from CAGIT, COIT, and CEDIT are currently distributed to qualifying taxing units in the county based on each taxing unit's portion of the total qualified county levy. The excise taxes (motor vehicle, commercial vehicle, aircraft, and boat excise taxes) paid by residents or businesses located in each taxing district are distributed to each of the taxing units that serve that taxing district, based on each taxing unit's portion of the total district levy.

Beginning in 2010 under this proposal, the income and excise tax distributions would assume that the levies imposed within a participating taxing unit for a FPT are a part of the participating unit's basis for revenue allocation. Income tax and excise tax revenues for provider units would be reduced, while the revenues for the remainder of the participating units would increase. According to available data, there are currently 20 fire protection territories in the state. County auditors reported that FPTs received $2.7 M in excise taxes in 2007, $241,000 in CAGIT PTRC in 2008, and $8.4 M in certified shares for CAGIT, COIT, and CEDIT in 2008.

Under this bill, revenue losses for provider units are estimated at $130,000 in excise tax, $31,000 in CAGIT PTRC, and $550,000 in certified shares. The other participating units would have revenue increases in the same amounts. A change in CAGIT PTRC shifts property tax relief dollars between taxing units with no change in the units' total available revenue. A change in excise tax or certified shares is a change in spendable dollars.

MRDD Levies: Under HEA 1001-2008, the property taxes levied by a county for a CMHC or an MRDD center are exempt from the county's maximum levy limit if the center was funded in 2008. Future county levies are subject to the county's maximum levy limit in counties that did not fund a center in 2008. In addition, levy growth for existing centers is limited to the AVGQ.

Prior to the passage of HEA 1001-2008, these levies were not subject to the county's maximum levy limit. Appropriation and levy growth for a CMHC was already limited to the AVGQ. The appropriation and levy for an MRDD center was (and still is) limited to the amount generated by a tax rate of $0.0333 per $100 AV, as adjusted for valuation adjustments since 2003.

Currently, every county funds a CMHC and 79 counties fund an MRDD center. Total levies for 2008 (or 2007 in a few counties) were $32.4 M for CMHCs and $10.8 M for MRDD centers.

Under this bill, all allowable levies to support a center would be exempt from the county's maximum levy limit. The appropriation and levy growth for CMHCs would continue to be limited to the AVGQ. Counties that have not funded an MRDD center could appropriate and levy an amount in the first year up to the amount that would be generated by a tax rate of $0.0333 per $100 AV, as adjusted for valuation adjustments.

The maximum amount that could be levied for an MRDD center in the 13 counties that haven't funded one is about $5.5 M. These counties include Daviess, Hancock, Hendricks, Henry, Howard, Jefferson, LaPorte, Martin, Parke, Posey, Putnam, Shelby, and Sullivan. A potential levy increase in the 13 counties without an MRDD center could increase the local cost of circuit breaker credits in areas where the circuit breaker has been triggered. The fiscal impact depends on local action.

Review of Non-Elected Board Budget: Under current law, a civil taxing unit with a non-elected governing body must submit its proposed budget and property tax levy for approval by the county fiscal body or municipal fiscal body if the percentage increase in the proposed budget is greater than the AVGQ. The taxing unit must submit the proposal at least 14 days before the reviewing body holds budget approval hearings.

Under this bill, the taxing unit would be required to submit their proposal to the county or municipality at least 30 days before the reviewing body's hearing. The bill also specifies that the budget and levy for a civil taxing unit with a non-elected governing body that lies completely within one of the four excluded cities in Marion County (Beech Grove, Lawrence, Southport, and Speedway) would be reviewed by the excluded city.

If a taxing unit fails to timely file the budget, levy, and tax rate estimates with the county or municipal fiscal body then the taxing unit's prior year budget and levy would be continued for the current year under the bill. Likewise, if the reviewing fiscal body fails to make its recommendation before the deadline for budget adoptions, then the reviewing unit's prior year budget and levy would be continued for the current year.

Local Budgets - County Review: Under current law, civil taxing units in a county without a TAB must submit their estimated budget, levy, and tax rate to the county fiscal body for review at least 15 days before the unit adopts the budget. The county fiscal body must perform a review and must issue a non-binding recommendation regarding the proposal.

Under this bill, the taxing units would be required to submit their proposal to the county fiscal body at least 45 days before the unit adopts the budget. The county fiscal body would be required to issue the non-binding recommendation at least 15 days before the unit adopts the budget.

If a taxing unit fails to timely file the budget, levy, and tax rate estimates with the county, then the taxing unit's prior year budget and levy would be continued for the current year under the bill. Likewise, if the county fiscal body fails to make its recommendation on a timely basis to any civil taxing unit, then the county unit's prior year budget and levy would be continued for the current year.

Marion County TIF: Prior to the passage of HEA 1001-2008, the City of Indianapolis could capture the property taxes paid on personal property within a TIF area and allocate those revenues to pay for PTRC-like credits that were granted to real property owners in the TIF area. HEA 1001-2008 repealed PTRC, the PTRC-like credits, and the ability to capture the personal property payments.

Under this provision, the Marion County Metropolitan Development Commission may fund a part of the tax increment replacement amount by once again capturing the taxes paid on personal property in the TIF area.

Tax Bills - Provisional: Under current law, a county may elect to send out provisional tax statements to its taxpayers if the county abstract is not completed by March 15th of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are figured. Provisional bills are based on 90% of the previous year's taxes. The first installment is due on May 10th unless the notice of reassessment or trended assessment is sent after March 26th, in which case the payment is due 45 days after the tax billing statement is mailed. The second installment is due on November 10th unless the May due date was delayed, in which case the November due date may be moved to any date through December 31st.

Under this proposal, the provisional bills would be based on 100% of the previous taxes and would include adjustments as prescribed by the DLGF. The first provisional installment would be due on the later of May 10th or 30 days after the bill is mailed. The second installment would be due between November 10th and December 31st, inclusive, at the county treasurer's discretion.

Maximum Levy Adjustment: Prior to the passage of HEA 1001-2008, the state made distributions to local taxing units to pay a part of the cost of benefits under the pre-1977 public safety pension plans. Beginning in 2009 under HEA 1001-2008, the state has assumed the remainder of the cost of those benefits. HEA 1001-2008 also required a reduction in maximum levies by the amount of the state payments. The DLGF has administered this section by reducing the taxing units' maximum levies by the *additional* amount of state payments made under HEA 1001-2008 rather than by the entire amount of the new plus existing state payments. This bill would legalize the actions taken by the DLGF.

Distribution of Delinquent Tax Payments: Under current law, collections of delinquent property taxes are distributed along with current year property tax collections to the taxing units based on each taxing unit's current pro-rata portion of the total district tax rate. Beginning in 2009, there are no longer any school general fund tax rates. So, delinquent property tax payments from original tax years prior to 2009 would now be distributed on a different basis than they would have been originally.

Under this provision, school corporations would receive an additional portion of the late tax payment that is equal to the amount that would have been originally distributed to the school general fund. The school corporation would be required to deposit the payment into the general fund. The distributions for other taxing units and funds would be reduced.

Conservancies: Under current law, a conservancy district's estimated budget must include an amount for contingencies equal to 10% of the budgeted expenses. Conservancy district budgets are subject to review by the TAB and the DLGF.

Under this bill, the contingency amount would be subject to budget review and approval and would be <u>limited</u> to 10% of expenses rather than being <u>equal</u> to 10%. There were 67 conservancy districts in 46 counties that had an appropriation in 2008 (2007 for two counties). Total appropriations were $27.5 M and the special benefits tax amount was $13.3 M. This provision could reduce conservancy district appropriations and tax by up to 10% of these amounts.

Under the bill, the interest rate that would prevail for taxpayer assessments paid in installments would equal the prime rate on the date that a resolution of financing is adopted plus 2% if the resolution is adopted after June 30, 2009. Currently, there are no rate specifications.

Solid Waste Management Districts - Property Tax Levy and Fees: Current law authorizes a county to either designate itself as a solid waste management district or to establish one with other counties. The very first year the district board of a solid waste management unit plans to levy a property tax to take effect the following year, it must obtain approval from the fiscal body of each county within the district. Each county fiscal body must approve the resolution by May 1of the year in which the vote is taken. The district also has to get approval from the fiscal body of each county if in subsequent years it plans on increasing the property tax levy by five percent or more.

Under this proposal, for taxes payable in 2010 and after, before a solid waste management can levy a property tax for the very first time, it must first hold a public hearing, then gain the approval of a majority of the members of its board before it submits the proposal to the fiscal body of each county within the district. The bill extends the date the fiscal body of each county has to approve the resolution from May 1 to August 1 the year the vote is taken.

For the second and subsequent years in which the district plans to levy a property tax under this bill, the proposed tax must first be approved by a majority vote of all the members of the board (a public hearing is not required). Additionally, the bill specifically directs the board to submit its proposed budget and property tax levy to the county fiscal body (or for joint districts the county fiscal body where the district has the most assessed valuation) for approval if the majority of the district's board is not elected and the percentage increase in the proposed budget is higher than the assessed value growth quotient (the average annual change in the state's non-farm personal income over the past six years or 6% whichever is smaller). If the district is in Marion county and the majority of its board is not elected, the proposed budget and property tax levy has to be submitted to the city-county legislative body regardless of whether the percentage increase in the budget is higher than the assessed value growth quotient.

On the other hand, if a majority of the district's board is elected or if the increase in the proposed budget is less than the AVGQ, the proposed budget and property tax levy would be submitted to the county fiscal body (or for joint districts the county in which the greatest part of the district's net assessed value is located) for review. The county fiscal body is limited to issuing a non-binding recommendation.

The bill also directs the district to hold a public hearing if it plans on imposing a fee. If it intends to levy both property taxes and fees, the district may hold a single hearing to discuss both issues.

Solid Waste Management Districts - Adoption of annual budgets: Under current law, the DLGF must approve the budgets of solid waste management districts. The budget is then forwarded to the executive and the fiscal body of each county and municipality located within the district.

Under this bill, for taxes payable in 2010 and after, in addition to the DLGF approval the annual budget must be approved by a majority by the members of the board. This is regardless of whether the district plans on increasing or decreasing the property tax levy or keeping it the same. Each year both the proposed property tax levy and the proposed budget will also be scrutinized by the county fiscal body. Under current law, only increases in the property tax levy of 5% or more are subjected to any form of review. Additionally, before levying a property tax for the first time, the board must hold a public hearing to discuss the issue.

Solid Waste Management Districts - Dissolution of Solid Waste Management Districts: Under current law, if a county withdraws from or is removed from a joint district, the county must either (1) designate itself a new district, (2) form a new joint district with other counties, or (3) join an existing joint district.

If the county elects to designate itself a new solid waste management district or joins with other counties to form a new joint district, the county district or new joint district has to submit a new district plan to the commissioner of IDEM for approval. If the county joins an existing joint district, the joint district has to amend its plan. If two or more members remain in the joint district after the county withdraws or is removed from the district, this joint district also has to amend its district plan.

Under this proposal, for taxes payable in 2010 and after, the county district or new joint district must hold a public hearing before it can submit its plan to IDEM for approval. Similarly, those districts that only have to amend their plans must also hold a public hearing before they do so. Additionally, if the new county district, new joint district or existing joint district plans to levy a property tax in the following year, it must obtain prior approval from each of the county fiscal bodies within the district in accordance with the provisions of this bill.

Additionally, the bill has the following two options for the county that is the only remaining member of a joint district from which other members have either withdrawn or have been dismissed.

Option 1. For taxes payable in 2010 and after, if the county does not form another joint district with other counties or does not join an existing joint district, then by default, the county must designate itself as a new county district and would be treated as such.

Option 2. If all other counties withdrew from the joint district with the last county to withdraw doing so between December 2, 2006, and December 31, 2009 inclusive, the county (which is now the lone remaining member of the former joint district) must before January 1, 2010 either designate itself a new district, form a new joint district with other counties, or join an existing district.

If the county becomes a new county district by default (Option 1) or chooses to designate itself as a new county district (one of the choices in Option 2), it must, after a public hearing, adopt and submit a new district solid waste management plan to the commissioner of IDEM for approval. The district must also, after a public hearing, adopt a new budget for the district. If the district plans on levying a property tax in the following year, the county fiscal body must approve the use of property taxes. The board of the district shall appoint and convene a new solid waste management advisory committee.

This bill would potentially give taxpayers, district board members, and county officials more control over a district's budget. The public must be allowed to comment whenever a district is planning on levying a property tax for the first time, when either a district has to formulate a new solid waste management plan or revise the current one, or when a new county district has to devise a new budget. Each year the district board, by majority vote of all members, must approve any proposed property tax levy and if the district becomes the sole member of a dissolved joint district, the board has to appoint and convene a new solid waste management advisory committee of citizens. County fiscal bodies have to at least review and in some cases, modify the budgets of districts. If the district membership changes the county fiscal bodies must approve any proposed property tax levy. The bill's impact would occur if budgets and/or property tax levies were reduced either during the review by one of the county fiscal bodies as applicable or before the review because of anticipated scrutiny and potential opposition.

In 2007 and 2008 there were approximately 68 solid waste management districts that either levied property taxes or had an appropriation. Of the 32 districts that levied property taxes in 2008 for which data is available; 6 districts decreased their levy from 2007; 21 had an increase of less than 5%; and 5 had an increase of over 5%. Under this bill the budgets and property tax levies of the 32 districts that levied property taxes in 2008 would be subject to review (under current law only the seven counties whose property taxes increased by over 5 percent would be reviewed). The total budget for the 68 districts was approximately $44.5 M of which approximately $19 M or 43% came from property taxes.

Wabash County Annexation: Generally, when services are extended during an annexation, the municipal property tax levy is extended to the newly annexed property owners. Therefore, assuming the cost to extend services is roughly equal to the property taxes levied on the annexed property owners, the tax burden on the existing properties within the municipality should be unchanged. However, if services can be extended for less than the amount of taxes collected from the new properties, the property taxes of the existing properties could be reduced.

TIF: Under current law, the maximum term for repayment of TIF obligations begins from the date that the TIF is established. Under this provision, the term would start on the date on which the first obligation is incurred.

Property Tax Exemptions: Under this provision, a Marion County non-profit, private school would be able to retroactively file for property tax exemptions on donated property for taxes payable in 2007, 2008, and 2009. To qualify, the school must have been in existence for at least 45 years, the property had to have been exempt for taxes assessed in 2005 (before the donation), and the property would have otherwise qualified for an exemption. The annual taxes on the property are about $46,000 per year. With penalties and interest, the owner is liable for a total of about $150,000 for the three years. This bill would cancel the liability and reduce collectable property taxes by the same amount in those three years.

In addition, a Marion County church that purchased an adjacent parcel after March 1, 2007 and that failed to timely file an exemption application for taxes payable in 2009 would receive an exemption under this provision. Under current law, the church will receive a tax bill for this parcel. However, since the assessments, levies, and tax rates for taxes payable in 2009 in Marion County won't be finalized for some time, the exemption can be granted without causing a shortfall.

Pendleton Library: Under this provision the Pendleton Library capital project fund levy would increase by $20,000 per year for 5 years, 2010 through 2014.

Sales Tax Exemptions: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

Income Tax Deduction for Roof Vents or Fans: Because the income tax deduction for the installation of solar-powered roof vents or fans would serve to decrease taxable income, counties imposing local option income taxes could potentially experience a decrease in revenue from these taxes.

(Revised) *Income Tax Deduction for Property Taxes*: Counties with local option income taxes may experience a revenue shift from one fiscal year to another in the event property tax bills are delayed.

(Revised) *CVET:* Under current law, each taxing unit's Commercial Vehicle Excise Tax (CVET) distribution is equal to 105% of the amount that the unit received in the prior year, going back to the base year. The CVET tax rate is calculated by dividing the amount needed to make the unit distributions by the commercial vehicle registration fees paid in the previous year. The rate is applied to current registrations to generate the current year CVET liability for each vehicle.

Under this bill, beginning in 2009, the base revenue amount for each taxing unit would equal the previous fiscal year's CVET revenue apportioned in the same percentage as the revenue was distributed in 2001 (and each year thereafter).

There are two effects from this change. First, taxing units will no longer be guaranteed to receive an annual 5% increase in their CVET distributions. This bill would, in effect, freeze the rate. The amount of revenue received each year would be directly tied to the percentage change in total registration fees paid on commercial vehicles. If total fees go up, then the CVET revenue would increase. If total fees drop, then the CVET revenue drops. However, because of the issue cited below, the revenue received in 2009 would be slightly reduced because it would be based on 2008 actual collections. Total CVET collections were $62.5 M in FY 2008.

The other effect is to fix a problem with the rate calculation under current law. Registration fees for farm vehicles are one-half as much as they are for other vehicles. In order to compensate for this difference, the amount of registration fees paid on farm vehicles was doubled in the CVET rate formula. However, farm vehicles now pay one half of the regular CVET tax amount. The result is a shortage in available funds to make the guaranteed distributions to local units.

(Revised) *Fairland:* The bill provides that the population of the town of Fairland, for purposes of certain Indiana laws, is 325. This would direct certain tax revenue distribution to the town of Fairland, and correspondingly reduce the distributions to other local units. Currently a portion of the Motor Fuel Taxes, Alcoholic Beverage Taxes, and Cigarette Taxes are distributed to local units of government based on their share of population, as certified by the Census Bureau.

(Revised) *Technology Exemption:* Under this provision, a county or municipal fiscal body could grant a property tax exemption for enterprise information technology equipment owned by an eligible business. If the property is located within a municipality, then the municipal fiscal body would be the designating body. The county fiscal body would be the designating body for property located in an unincorporated area. The designating body could adopt a resolution through December 31, 2012, to exempt property. The term of the exemption, however, could extend beyond 2012 and would have to be set in an agreement between the designating body and eligible business. The designating body would be required to give notice of the resolution and must hear all remonstrances and objections. A final resolution would be adopted after the hearing.

The bill defines enterprise information technology equipment as:

(1) hardware supporting computing, networking, or data storage function, including servers and routers;

(2) networking systems having an industry designation as equipment within the "enterprise" or "data center" class of networking systems that support the computing, networking, or data storage functions; and

(3) generators and other equipment used to ensure an uninterrupted power supply to such hardware and networking systems. It provides that enterprise information technology equipment does not include computer hardware designed for single user, workstation, or departmental level use.

The bill also defines an eligible business to be an entity that meets the following requirements:

(1) The entity is engaged in a business that operates one or more facilities dedicated to computing, networking, or data storage activities.

(2) The entity is located in a facility or data center in Indiana that contains in the aggregate at least $10,000,000 in personal property or real property investment that is made after June 30, 2009.

(3) The average employee wage of the entity is at least 125% of the county average wage for each county in which the entity conducts business operations.

The exemption would not be limited to new investments and could apply to an eligible business' existing property as well. If any existing assessed value is exempted, then the tax base would be reduced and tax rates would increase. The increased tax rate would shift part of the tax burden from owners of the exempt property to all other taxpayers. In areas where the circuit breaker caps have been triggered, the higher tax rates would result in a greater cost (taxing unit revenue loss) for the circuit breaker credits. The granting of any exemption under this bill would be a local decision.

The exemption of newly acquired property would not affect the existing tax base. If there is an increase in development because of the exemption, then other property could be added to the tax base. If the exemption period set locally is shorter than the life of the property, then the value of the enterprise information technology equipment could eventually be added to the tax base. However, if one assumes that the investment would be made with or without the exemption, then the granting of the exemption under this bill could also eliminate the normal shift of the property tax burden from all taxpayers to the owners of the new property that would have occurred.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review;

Department of State Revenue; Indiana Department of Environmental Management; State Board of Accounts; State educational institutions.

Local Agencies Affected: Local assessors; County auditors; County treasurers; County boards of tax adjustment; County and municipal fiscal bodies; Non-elected school boards; Solid waste management districts; conservancy districts; Fire protection territories; Township fire departments; Redevelopment Commissions; All civil taxing units and school corporations.

Information Sources: Mary Edmonds, Department of Child Services; Local Government Database, Department of Local Government Finance; Department for Health and Human Service; Center for Disease Control and Prevention (Diabetes Data and Trends),http://apps.nccd.cdc.gov/DDTSTRS/default.aspx; Indiana Economic Development Corporation, *Economic Incentives and Compliance Report for the Reporting Period July 1, 2007 - June 30, 2008.*; Tom Conley, Department of State Revenue.

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